

Message Text

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ACTION SS-30

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FM AMEMBASSY ROME

TO SECSTATE WASHDC IMMEDIATE 5639

C O N F I D E N T I A L ROME 8980

EXDIS

E.O. 11652: GDS

TAGS: OVIP (KISSINGER, HENRY A.)

SUBJECT: SECVISIT ROME JULY 5-6: DOMESTIC ECONOMIC ASPECTS

1. WE UNDERSTAND FROM FOREIGN MINISTRY THAT MINISTRY IS PUTTING TOGETHER (WITH OTHER MINISTRIES CONCERNED) A PAPER ON THE DOMESTIC SITUATION, WITH PARTICULAR EMPHASIS ON ECONOMIC MATTERS, FOR USE BY PRIME MINISTER RUMOR AND FOREIGN MINISTER MORO. GRAVITY OF POTENTIAL ECONOMIC DISTURBANCES AND SEVERE IMPLICATIONS THESE ARE HAVING FOR ITALIAN POLITICAL SCENE HAVE LED GOI TO PUT IT ON THE AGENDA OF TALKS.
2. SITUATION HAS NOT MATERIALLY CHANGED SINCE OUR TRENDS REPORT OF JUNE 26 (ROME 8866). THE PROCEDURAL STEPS FOR APPROVAL OF PACKAGE WILL PROBABLY CONTINUE UNTIL AROUND JULY 2. WHEN RUMOR PRESENTED GOVERNMENT ECONOMIC PROGRAM TO CHAMBER YESTERDAY, LACK OF DETAIL MADE IT CLEAR THAT PACKAGE IS NOT YET COMPLETE, ALTHOUGH TARGETS OF LIRE 3000 BILLION INCREASE IN GOVERNMENT REVENUE AND CREDIT CEILING REMAIN UNCHANGED.
3. WE DOUBT THAT GOI WILL MAKE AN APPEAL FOR SPECIFIC US ASSISTANCE DURING SECRETARY'S VISIT SINCE THEY, AND PARTICULARLY BANK OF ITALY GOVERNOR CARLI, ARE AWARE THAT FOREIGN ASSISTANCE CAN BE PLEDGED ONLY AFTER THE PACKAGE HAS BEEN COMPLETED AND EVALUATED. IT IS PROBABLE HOWEVER THAT THEY WILL SEEK TO MAKE A CASE THAT THE PROGRAM WILL BE ADEQUATE, THAT IT HAS BEEN VERY DIFFICULT POLITICALLY TO ASSEMBLE, AND ASK FOR SYMPATHETIC AND FORTHCOMING ATTITUDE BY USG.

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4. NO TECHNICAL ANALYSIS OF THE PACKAGE HAS BEEN POSSIBLE.
WE ARE SOMEWHAT CONCERNED THAT IT MAY NOT BE FULLY ADEQUATE
BUT DO NOT WISH TO PREJUDGE A MORE THOROUGH EXAMINATION.

5. WE WOULD SUGGEST THAT THE SECRETARY REPLY ALONG THE
FOLLOWING LINES:

--WE APPLAUD THE ITALIAN EFFORTS TO TAKE STEPS TO TURN THE
ECONOMY AROUND AND WE ARE FULLY AWARE OF THE GREAT DIFFI-
CULTIES INVOLVED IN ASSEMBLING A SET OF STABILIZATION
MEASURES WHICH CALLS FOR SACRIFICES BY ALL STRATA OF THE
ITALIAN POPULATION.

--WE WILL BE PREPARED TO EXAMINE, IN CONCERT WITH OTHER
SOURCES OF TRANSITIONAL FOREIGN ASSISTANCE, WAYS IN WHICH
WE MIGHT BE ABLE TO ASSIST IN MAINTAINING THE ITALIAN
ECONOMY AT SATISFACTORY LEVELS OF GROWTH AND EMPLOYMENT.
WE RECOGNIZE FULLY THAT A HEALTHY ITALIAN ECONOMY IS IM-
PORTANT FOR THE ECONOMIC HEALTH OF WESTERN EUROPE AND FOR
THE POLITICAL HEALTH OF ITALY AS WELL.

--ANY SPECIFICS WILL OF COURSE AWAIT TECHNICAL EXAMINATION
OF THE MEASURES TO BE UNDERTAKEN AND CONSULTATION WITH THE
ITALIAN AUTHORITIES AND OTHER POTENTIAL SOURCES OF TRANS-
I TIONAL ASSISTANCE.

--WE ALSO RECOGNIZE THAT ITALY IS SERIOUSLY AFFECTED BY
THE ENERGY CRISIS AND THIS WILL BE AN ELEMENT IN OUR
DELIBERATIONS. VOLPE

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